

**SOUTH CAROLINA GOVERNOR'S SCHOOL  
FOR SCIENCE AND MATHEMATICS  
HARTSVILLE, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2007**

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# *State of South Carolina*



## *Office of the State Auditor*

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 13, 2008

The Honorable Mark Sanford, Governor  
and  
Members of the Board of Trustees  
South Carolina Governor's School  
for Science and Mathematics  
Hartsville, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Governor's School for Science and Mathematics (the School) and by the management of the South Carolina State Department of Education (the Department), solely to assist you in evaluating the performance of the School for the fiscal year ended June 30, 2007, in the areas addressed. The School's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$100 – general fund, \$9,700 – earmarked fund, \$6,600 – restricted fund, and \$100 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the School, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$28,800 – general fund, \$9,700 – earmarked fund, \$7,800 – restricted fund, and \$100 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.

- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$28,800 – general fund, \$9,700 – earmarked fund, \$7,800 – restricted fund, and \$100 – federal fund) and  $\pm 10$  percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Incorrect Pay Period in the Accountant's Comments section of this report.

4. **Journal Entries**

- We inspected selected recorded journal entries to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **General Ledger and Subsidiary Ledgers**

The School is a separate program within the State Department of Education budgetary unit of the State of South Carolina.

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Reconciliations**

The School's accounts are reconciled by the State Department of Education.

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2007, and inspected selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. We found no exceptions as a result of the procedures.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Closing Packages**

The School's data is included in closing packages submitted by the State Department of Education.

- We obtained copies of all closing packages as of and for the year ended June 30, 2007, prepared by the State Department of Education and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Authorized Attorney Fees and Compensated Absences Closing Package in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

The School's federal grants are included in the State Department of Education's Schedule of Federal Financial Assistance.

The Honorable Mark Sanford, Governor  
and  
Members of the Board of Trustees  
South Carolina Governor's  
School for Science and Mathematics  
May 13, 2008

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2007, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

10. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report for the South Carolina Governor's School for Science and Mathematics resulting from our engagement for the fiscal year ended June 30, 2006, to determine if the School had taken corrective action.

Our finding as a result of these procedures is presented in Authorized Attorney Fees in the Accountant's Comments section of this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the School and is not intended to be and should not be used by anyone other than these specified parties.



Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**ACCOUNTANT'S COMMENTS**



## **SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS**

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

### **INCORRECT PAY PERIOD**

We tested all employment terminations during fiscal year 2007. We noted the termination pay for one of the five final pay transactions tested was paid in the wrong pay period. The employee was paid June 1, 2007 for work performed April 17, 2007 through May 1, 2007. The employee should have received his final pay on May 16. The employee's timesheet, signed and dated by both the employee and supervisor on May 1, 2007, was not received by the Department of Education payroll department until May 16.

Section 8-11-35 of the 1976 Code of Laws states in part, "To provide a regular and permanent schedule for payment of employees, the payroll period begins on June 2 of the prior fiscal year with the first pay period ending on June 16 of the prior fiscal year. The payroll period continues there after on a twice monthly schedule as established by the State budget and Control Board."

We recommend the School implement procedures to ensure that payroll support documents are approved and submitted to the Department for processing in accordance with the State's pay schedule. All employees are paid on the proper pay date.

### **AUTHORIZED ATTORNEY FEES**

During our review of the litigation closing package we discovered that the attorney fees paid to one law firm exceeded the maximum compensation authorized by the Attorney General. The Attorney General's Office authorized payments totaling \$3,000. The School paid the law firm \$3,063.

Proviso 32.2 of the fiscal year 2007 Appropriation Act states, "No department or agency of the State Government shall engage on a fee basis any attorney at law except upon written approval of the Attorney General and upon such a fee as shall be approved by him."

We again recommend the School develop and implement procedures to ensure that it complies with Proviso 32.2.

## **COMPENSATED ABSENCES CLOSING PACKAGE**

Section 3.17 of the Comptroller General's Office GAAP Closing Procedures Manual states, "The accumulated unused annual leave earned by employees at June 30 is the actual annual leave balance in the agency's records for each employee."

The School did not include earned annual leave in excess of the maximum allowable calendar year-end carry forward (i.e. 45 days) when calculating the liability for compensated absences. As a result the compensated absences liability was understated.

We recommend the School implement procedures to ensure that personnel responsible for completing and approving the Compensated Absences Closing Package are familiar with closing package requirements.

## **SECTION B - STATUS OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Governor's School for Science and Mathematics for the fiscal year ended June 30, 2006, and dated May 9, 2007. We have repeated the finding Authorized Attorney Fees in the Accountant's Comment's section of this report.

## **MANAGEMENT'S RESPONSE**

June 30, 2008

Mr. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201



SOUTH CAROLINA  
GOVERNORS' SCHOOL  
FOR SCIENCE &  
MATHEMATICS

Re: Report Release Authorization, Management Response

Dear Mr. Gilbert:

Thank you for forwarding the preliminary draft copy of the report on the performance procedures to the accounting records of the South Carolina Governor's School for Science and Mathematics (GSSM) for the fiscal year ended June 30, 2007.

Mr. Ernie Boyd, GSSM's VP for Finance, and I have reviewed the draft and I hereby authorize its release. Attached is a current list of GSSM Board members and their mailing and email addresses.

We respect your findings and will take affirmative steps to address the issues you have identified:

- a) One incorrect pay period where the temporary employee was paid June! for work performed April 17, due to an employee turning in a time card late.
- b) Paying \$63 more in legal fees than sought and approved authorization in this category (expenditures were \$3,063, the authorization was \$3,000) due to slightly higher than anticipated legal expenses; and
- c) Several mis-statements of unused annual leave. The agency incorrectly capped the maximum hours, 337.50, equal to the 45 day maximum payout days an employee can claim when leaving employment. However, because the report is in June, there are six additional months where hours of earned annual leave could be accrued above the 337.50 which should be (and in the future will be) reported. Also enclosed, as requested, is a CD with Board names and contact information.

I appreciate the work of you and your staff and we look forward to continuing reviews and improvements in the future.

Sincerely,

Murray Brockman

Attachments: Written Response and Comments  
Board List and Contact Information CD

Written response and comments to Accountant's Comments concerning  
Governor's School for Science & Mathematics'  
State Auditor's Report for fiscal year ended June 30, 2007.

We appreciate and respect the findings and comments and will take affirmative steps to address the three issues you have identified:

- a) One incorrect pay period where the temporary employee was paid June 1 for work performed April 17;
- b) Paying \$63 more in legal fees than sought and approved authorization in this category (expenditures were \$3,063, the authorization was \$3,000); and
- c) Several miss-statements of unused annual leave. The agency incorrectly capped the maximum hours, 337.50, equal to the 45 day maximum payout days an employee can claim when leaving employment.

Some details of these steps are outlined below.

Specifically, we will begin with the following steps to address the following identified issues:

**Accountant's Comments:**

**A) Incorrect Pay Period**

**Issue:** Termination pay for one (of five) final pay transactions tested was paid in a later pay period. where the temporary employee was paid June 1 for work performed April 17.

**Particulars:** This was the result of a temporary part time employee for one of GSSM's outreach programs who, being retired and occupied with many other endeavors, did not come by and sign her time-sheet in a timely manner. GSSM's business office made repeated attempts to contact the temporary employee and implore that she come by and sign the timesheet. When she did sign the timesheet, it was processed promptly.

The probability of this issue recurring is unlikely (most people need their money and gladly sign the paperwork in a timely manner when asked). Still, Agency will take measures to communicate and make the likelihood of a recurrence even smaller.

Response Improvement/practices: GSSM will put internal and external checks and limits in place to include:

- 1) Continue to remind employees they must sign timesheets in a timely manner
- 2) State that if timesheet is not signed in a timely manner, employee must provide a written explanation as why it was not signed
- 3) State that if timesheets are not signed in a timely manner, employee may forfeit wages for that time period



## **B) (Exceeding) Authorized Attorney Fees**

Issue: Attorney fees paid to one firm (the only firm GSSM engaged) exceeded the maximum compensation authorized by the Attorney General. The Attorney General's Office was asked by the Agency and authorized payments totaling \$3,000. The School paid the law firm \$3,063.

Particulars: The authorization process requires an agency to predict how many hours of legal services are needed per specific incident, then request authorization for this amount from the Attorney General's office.

Agency's Vice President for Finance has consistently underestimated these fees. In the previous report year, the Agency overspent authorization by some \$200, this year's overage is \$63.

There is often legal advice needed around the time of school graduation (Early June to late June) that comes at the very close of the fiscal year. Law firm invoice does not arrive until July or early August in next fiscal year.

Still, this issue is the result of the Agency's Vice President for Finance consistently underestimating the actual legal hours needing to be authorized.

### Response Improvement/practices:

1) Continue Agency implemented feedback loop with Law Firm vendor to compare authorization hours with actual hours used on any legal issue.

2) Agency Finance Officer will change his projection formula to expand estimated hours needed for legal advice authorization.

## **C) Compensated Absences Closing Package**

Issue: Several miss-statements of unused annual leave. The agency incorrectly capped the maximum hours reported at 337.50, equal to the 45 day maximum payout days an employee can claim when leaving employment. However, because the report is in June, there are six additional months where hours of earned annual leave could be accrued above the 337.50 which should be (and in the future will be) reported.

Particulars: Each June 30, the Agency forwards a report stating annual and sick leave balances. When leaving State employment, the employee may be paid for up to a maximum of 45 days (337.5) in accrued annual leave.

The Agency, on the report, capped the maximum hours at 337.50, equal to the 45 day payout limit, reasoning that the Agency liability cannot exceed the maximum payout allowed. However, Section 3.17 of the Comptroller General's Office GAAP Closing Procedures Manual states, "The accumulated unused annual leave earned by employees at June 30 is the actual annual leave balance in the agency's records for each employee."

Because an employee could have greater than 337.50 hours in actual annual leave balance, this actual amount should have been listed on the report, not the maximum 45 day payout responsibility of the agency.

### Response Improvement/practices:

1) Agency will list actual annual leave balance on the report, not equating this figure with the 45 day maximum agency liability toward unused annual leave.

4 copies of this document were published at an estimated printing cost of \$1.54 each, and a total printing cost of \$6.18. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.